

Message Text

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17

ACTION EUR-25

INFO OCT-01 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SP-03

STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 DODE-00

PM-07 H-03 L-03 NSC-07 PA-04 PRS-01 SS-20 USIA-15

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 1596

INFO USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L BONN 5540

E.O. 11652: GDS

TAGS: PGOV, PFOR, EEC, UK, GW

SUBJECT: GERMAN REACTION TO UK RENEGOTIATION IN EC

1. IN COMMENTING ON BRITISH FOREIGN SECRETARY
CALLAGHAN'S STATEMENT ON EC RENEGOTIATION, OUR FONOFF
ECONOMIC CONTACTS ARE ADOPTING FOR THE MOST
PART A "WAIT-AND-SEE" ATTITUDE. THEY NOTE THAT
SOME OF THE BRITISH REQUESTS MAY BE ACCEPTABLE AND
OTHERS MAY NOT BE. IN A RECENT CONVERSATION WITH
THE ECONOMIC/COMMERCIAL MINISTER, HOWEVER, DEPUTY
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ASSISTANT SECRETARY POENSGEN WAS QUITE OUTSPOKEN IN

HIS CRITICISM OF BRITISH DEMANDS FOR RELIEF FROM THE FINANCIAL BURDEN IMPOSED ON THE UK DUE TO ITS HIGH LEVEL OF IMPORTS FROM OUTSIDE THE EC.

2. POENSGEN STATED THAT THE UK WILL HAVE TO FIGHT HARD TO CONVINCE OTHERS THAT THE SYSTEM SHOULD BE CHANGED SO THAT THE BRITISH SHOULD NOT HAVE TO PAY MORE IF THEIR TRADE WITH THIRD COUNTRIES INCREASES. HE NOTED THAT GERMANY HAD FACED THE SAME SITUATION IN 1958 THAT THE UK FACES NOW IN TERMS OF HEAVY RELIANCE ON THIRD COUNTRY IMPORTS AND HE POINTED OUT THAT GERMANY HAD REACTED BY INCREASING ITS INTRA-COMMUNITY TRADE. HE ARGUED THAT THE EC'S POLICIES HAD NOT HAD A TRADE DIVERTING EFFECT AND HAD NOT HARMED THE INTERESTS OF THIRD COUNTRIES. HE SAID WHAT THE BRITISH ARE DEMANDING HOWEVER AMOUNTS IN EFFECT TO A GUARANTEE FOR NEGATIVE TRADE DIVERSION I.E. MORE TRADE WITH THIRD COUNTRIES AT THE EXPENSE OF INTRA-COMMUNITY TRADE AND HE CHARACTERIZED THIS DEMAND AS UNACCEPTABLE.

3. POENSGEN SAID THAT THE FINANCIAL IMPLICATIONS OF THE UK DEMAND WERE SECONDARY AND COULD BE DEALT WITH IN SOME FASHION ON THEIR MERITS. HE SAID THE PRIMARY IMPLICATIONS WERE A DIRECT ATTACK ON THE ENTIRE BASIS OF THE CUSTOMS UNION AND THAT THE OTHER COMMUNITY MEMBERS "EVEN THE IRISH" WOULD OPPOSE UK RENEGOTIATION DEMANDS WHICH STRIKE AT THE HEART OF THE EC.

4. SEPTTEL COVERS FONOFF POLITICAL DIRECTOR VON WELL'S COMMENTS TO AMBASSADOR ON UK RENEGOTIATION DEMANDS. HILLENBRAND

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